

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 11/5/2013	(3) CONTACT/PHONE Jim Erb 781-5040/Kerry Bailey 788-2979	
(4) SUBJECT Discussion of Implementation of the San Luis Obispo County Whistleblower Hotline			
(5) RECOMMENDED ACTION It is recommended that your Board receive and file the Whistleblower Hotline Procedures Manual relating to the management of a Whistleblower Hotline whereby employees or citizens can report potential financial fraud, waste or abuse of County resources.			
(6) FUNDING SOURCE(S) General Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$6,000.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>15</u>)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors

FROM: James P. Erb, CPA, Auditor-Controller-Treasurer-Tax-Collector

DATE: 11/5/2013

SUBJECT: Discussion of Implementation of the San Luis Obispo County Whistleblower Hotline

RECOMMENDATION

It is recommended that your Board receive and file the Whistleblower Hotline Procedures Manual relating to the management of a Whistleblower Hotline whereby employees or citizens can report potential financial fraud, waste or abuse of County resources.

DISCUSSION

The Auditor-Controller-Treasurer-Tax Collector's (ACTTC) Office strives to ensure that proper internal controls are in place to safeguard County assets. We have traditionally had a no-tolerance policy for financial fraud, misuse of County assets or disregard for County financial policy. To monitor and maintain strong internal controls the ACTTC's Office currently:

- Performs unannounced cash counts and internal control reviews throughout the year
- Reviews departmental bank reconciliations on a monthly basis
- Reconciles cash and investments daily
- Reviews all invoices prior to posting for payment
- Monitors and recalculates all travel claims
- Has developed a Cash Handling Policy and a Contract Accounting and Administration Handbook
- Conducts training on cash handling
- Reviews and signs off on all appropriation adjustments
- Has configured an accounting system which gives us the ability to create unique security roles and place hard stops on budget control spending
- Reconciles all property tax distributions
- Reviews all accounting adjustments such as journal entries
- Monitors employee time reporting for compliance with bargaining unit agreements

While the vast majority of SLO County employees, vendors, and contractors are honest and ethical, the Auditor-Controller-Treasurer-Tax Collector is establishing a Whistleblower Hotline as another tool to enhance our Internal Control program. The Association of Certified Fraud Examiners reports that occupational fraud is more likely to be detected by a tip than by any other method and recommends a fraud reporting mechanism, such as a hotline, be employed as a critical part of an anti-fraud program. California Government Code 53087.6 provides authority and guidelines for the County Auditor-Controller-Treasurer-Tax Collector to establish and maintain a Whistleblower Hotline. Whistleblower Hotlines provide an avenue for County employees or citizens to anonymously and confidentially report the potential misuse of County resources or serious violations of County Policy.

The need for human interaction is especially critical when dealing with an anonymous caller as we may never have another opportunity to document his/her complaint. For this reason and so employees may feel more comfortable talking to an independent party, we have contracted with an external hotline provider, The Network, Inc. for documenting all calls.

The provider will support hotline services 24 hours a day, 7 days a week and 365 days a year. They provide this service as well as preventive and corrective services to over 8,000 companies. Some California government agencies that use The Network's services for Whistleblower Hotline calls include:

San Bernardino County
San Diego County
Kern County
City of San Diego
City of Sacramento

The Network, Inc. will provide us with a unique phone number and web site for San Luis Obispo County along with access to a case management system. The Auditor-Controller-Treasurer-Tax Collector's internal audit staff will follow-up on complaints involving financial fraud, waste or abuse. Other complaints such as timecard abuse, sexual harassment, or other supervision type complaints will be referred to the appropriate department head. Complaints that indicate criminal activity will be forwarded to law enforcement.

All referrals and documents obtained in an investigation will be kept in a secure location and will remain confidential. Employee or citizen identities will be protected unless disclosure is ordered by a court. The Auditor-Controller-Treasurer-Tax Collector will post quarterly statistics on the department's website that show activity for the period, status of complaints and status of previous complaints.

The Auditor-Controller-Treasurer-Tax Collector's office, in consultation with other counties, has developed a proposed procedures manual. The manual underscores the importance of timely, confidential handling and thorough responses to complaints. The Auditor-Controller-Treasurer-Tax Collector may make minor changes and updates to the procedures in order to create and maintain the most efficient and effective program possible.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel has reviewed the service agreement with The Network Inc. The Administrative Office, County Counsel, District Attorney, Sheriff-Coroner and Director of Human Resources have reviewed the procedures attached.

FINANCIAL CONSIDERATIONS

Implementation of the Whistleblower Hotline will not involve the addition of any new positions. The contract with The Network, Inc. for 24 hour answering service, web portal, and case management services will be approximately \$6,000 a year. An additional \$2,000 for the startup year is required for vendor set-up, supplies and outreach materials. This item will not increase the Auditor-Controller-Treasurer-Tax Collector's general fund support for the current fiscal year as the first year's costs will be covered by salary savings from the ACTTC's Office.

RESULTS

Losses due to unethical, illegal, or irresponsible activities can affect all of us. The implementation of a Whistleblower Hotline enhances the County's internal controls and the working environment. Controls over County resources contribute to the County's vision of a well-governed community.

ATTACHMENTS

1. Whistleblower Hotline Procedures Manual